

EXECUTIVE SECRETARIAT

ROUTING SLIP

TO:

		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
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9	Chm/NIC				
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16	NIO/ECON	X			
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SUSPENSE		Date			

Remarks

Executive Secretary
25 Sept 85

Date

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**THE WHITE HOUSE
WASHINGTON**

Executive Registry
85-3685

CABINET AFFAIRS STAFFING MEMORANDUM

Date: 9/24/85 **Number:** 316998CA **Due By:** _____

Subject: Economic Policy Council Meeting -- September 26, 1985

8:45 A.M. -- Roosevelt Room

	Action	FYI		Action	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input type="checkbox"/>	CEA	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vice President	<input checked="" type="checkbox"/>	<input type="checkbox"/>	CEQ	<input type="checkbox"/>	<input type="checkbox"/>
State	<input checked="" type="checkbox"/>	<input type="checkbox"/>	OSTP	<input type="checkbox"/>	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Justice	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>	McFarlane	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Agriculture	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Svahn	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Commerce	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Chew (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Labor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Hicks	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HHS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HUD	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Energy	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Chief of Staff	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Executive Secretary for:	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CIA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	DPC	<input checked="" type="checkbox"/>	<input type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>	EPC	<input type="checkbox"/>	<input type="checkbox"/>
USTR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
GSA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
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NASA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

The Economic Policy Council will meet on Thursday, September 26, at 8:45 A.M. in the Roosevelt Room.

The agenda and background paper for the second agenda item are attached. The paper for the first item will be distributed tomorrow.

RETURN TO:

☒ Alfred H. Kingon
Cabinet Secretary
456-2823
(Ground Floor, West Wing)

☐ Don Clarey
☐ Rick Davis
☐ Ed Stucky

Associate Director
Office of Cabinet Affairs

THE WHITE HOUSE

WASHINGTON

September 24, 1985

MEMORANDUM FOR THE ECONOMIC POLICY COUNCIL

FROM: EUGENE J. McALLISTER *EU*

SUBJECT: Agenda and Paper for the September 26 Meeting

The agenda and paper for the September 26 meeting of the Economic Policy Council are attached. The meeting is scheduled for 8:45 a.m. in the Roosevelt Room.

The first agenda item is a report from the Working Group on Labor Adjustment on the question of whether the Administration should change its current position of opposing extending the Trade Adjustment Assistance Program, scheduled to expire on September 30. Congress is considering proposed legislation that would extend the program from 4 to 6 years and expand the scope of the program substantially. A paper prepared by the Working Group will be distributed tomorrow.

The second agenda item is a plan for a multi-pronged negotiation strategy. At the May 16 Economic Policy Council meeting, the President approved a three-pronged trade negotiation strategy: multilateral, plurilateral, and bilateral. The Working Group on General Trade Negotiation Strategy has outlined an operational "road map" for implementing this strategy. A paper describing this road map is attached.

Attachments

THE WHITE HOUSE

WASHINGTON

ECONOMIC POLICY COUNCIL

September 26, 1985

8:45 a.m.

Roosevelt Room

AGENDA

1. Trade Adjustment Assistance
2. General Trade Negotiating Strategy

MEMORANDUM FOR THE ECONOMIC POLICY COUNCIL

FROM: WORKING GROUP ON GENERAL TRADE NEGOTIATION STRATEGY

SUBJECT: Action Plan for Multi-pronged Trade Policy Strategy

At the May 16 EPC meeting, the President approved a trade policy strategy consisting of three basic elements: (1) the launching of a new round of multilateral trade negotiations -- as the highest priority, (2) the organization of plurilateral negotiations in certain sectors if full GATT participation cannot be obtained, and (3) the pursuit of bilateral/regional negotiating opportunities. The EPC requested that a Working Group be established to further elaborate that strategy.

This memorandum, which was prepared by that Working Group, provides a sort of operational "road map" of the actions which should be taken to implement this strategy -- both in terms of international initiatives and internal preparations.

The basic relationship between the three elements of the multi-pronged strategy is as follows:

The strengthening of the multilateral trading system, through the initiation of a new round of multilateral trade negotiations, is our highest priority. Plurilateral negotiations should be subordinated to broader, multilateral approaches but we should be prepared to explore them where the GATT, or a significant part of the GATT membership, is unwilling to deal effectively with issues of major significance to the United States. Our bilateral negotiating efforts should both parallel and stimulate our multilateral initiatives -- by improving U.S. access to foreign markets, by providing for a greater degree of multilateral trade negotiations than is possible in multilateral negotiations, and by spurring currently reluctant countries to greater support for multilateral liberalization.

Multilateral Negotiations

We should seek to meet the following timetable for the opening of the new trade round: (1) convening of a special session of the Contracting Parties in September 1985 to begin formal GATT discussions of the content, structure, and timing of the new round; (2) a commitment by GATT members at the regular November session of the Contracting Parties to a new round along with the establishment of a formal preparatory group and general agreement on a "critical mass" of agenda items; and (3) completion of the work of the GATT Preparatory Group by late spring with the opening of negotiations in mid-1986.

- o At this point, the most serious obstacle to meeting this timetable is the obstructionist tactics of a group of developing countries led by India and Brazil. Along with our Quad partners, we have launched a diplomatic offensive to ensure that we have the necessary votes to convene a September meeting of the GATT Contracting Parties. USTR should develop, through the interagency process, a comprehensive action plan to build international support for our new round objectives and to ensure that the India/Brazil faction is not successful in blocking new round progress. The Seoul meeting of the Trade Ministers, which can be held when needed, and the scheduled 1986 meeting of the Quad will also provide key opportunities for advancing this plan.
- o An enormous amount of preparation will be required to conduct new round negotiations effectively. USTR will be developing, through the established interagency structure, detailed position papers on all issues proposed for inclusion either by the United States or other countries. These papers should clearly define U.S. objectives in each area and outline a strategy for their achievement. This strategy should include a plan for the coordination of bilateral and plurilateral efforts and a consideration of the leverage available to the United States -- including the use of U.S. trade laws and other actions to advance our objectives. These papers should be completed by the end of the year.
- o As part of the above exercise, a U.S. position on the structure and agenda of the new negotiation will also be developed. In particular, we need to consider whether to propose a new process of "rolling negotiation," which would allow the introduction of new subjects at a later stage in the multilateral negotiations and the conclusion of the various elements of the negotiations at different times. The ways in which plurilateral and bilateral negotiations can be linked to the achievement of our multilateral objectives also needs to be considered. A decision on the Administration's basic stance with regard to rolling negotiations will be needed at a relatively early stage in New Round discussions -- and, in any case, prior to the November GATT meeting.
- o A major effort must be made to develop domestic support for a new round. Key elements of this effort are a new statement of overall U.S. trade policy (currently being reviewed by the EPC); development of an Administration response to initial private sector comments on the new round (now being prepared by USTR); and close consultation with the private sector and Congress in the development of the detailed new round position papers. An important factor in building domestic (and international) support for a new round will be the Administration's success in articulating macro economic policies conducive to the promotion of free

trade -- especially with respect to third world debt, exchange rate problems, and the promotion of convergent of national economic policies.

- o We need to consider when to seek new legislation for the new round. The Administration will need tariff-cutting authority and an extension and expansion of existing negotiating authority on non-tariff barriers. However, we will be facing major Congressional efforts to enact protectionist legislation. A policy-level review of our Congressional strategy for the new round should be conducted this fall.

Plurilateral Negotiations

- o Further work needs to be done in developing the possible shape of plurilateral sectoral agreements for such areas as services, investment, high tech, and intellectual property. This will be undertaken in the preparation of the interagency position papers.
- o Given our preference for the multilateral approach, a decision on plurilateral sectoral initiatives at this time would be premature. This question should be reviewed, at the latest, following the November GATT meeting with the aim of determining whether it is appropriate to launch any such initiatives at that time.

Bilateral/Regional Initiatives

- o Further opening of the Japanese market should continue to be our number one priority. The progress of the MOSS approach should be evaluated prior to the anticipated meetings between Secretary Shultz and Minister Abe (September) and the President and Prime Minister Nakasone (October). A final evaluation of MOSS should be undertaken by the end of the year; if it proves unsatisfactory, alternative approaches should be considered.
- o Efforts to improve access to the markets of our major trading partners, especially Taiwan, Korea, and Brazil, and their treatment of intellectual property, should also have a high priority. In some cases, self-initiation of Section 301 cases should be considered as a means of putting additional pressure on these countries. USTR should develop an interagency agreed list of bilateral issues with the principal NIC's on which the United States should exert maximum pressure in 1986.
- o The renewed and revised GSP program will also provide a useful tool for U.S. objectives in the area of improved market access and intellectual property protection. Review of this program and of the national policies of beneficiary countries is required to be completed by the end of 1986.

- o We expect to receive a proposal from the Canadian Government on the negotiation of a free trade arrangement (FTA) this fall, possibly as early as mid-September. USTR will conduct an interagency examination of the economic value of such an agreement to the United States, the areas such an agreement should cover, and the timetable for negotiations with the aim of presenting this issue for policy-level discussion at an appropriate time this fall.

If it is agreed to move ahead with FTA negotiations, the House Ways and Means and Senate Finance Committees must be notified under Section 102 of the Trade Act of 1974. If they do not disapprove such negotiations within 60 days, the Administration may proceed. Thus, negotiations could begin by the end of the year.

- o In February 1983, then-USTR Brock proposed that ASEAN and the United States explore the phased elimination of all barriers to trade between them. It is possible that the ASEAN countries may present us with a proposal for moving ahead in this area; they appear to be thinking of an "umbrella" agreement covering such areas as services, with parallel (and reciprocal) tariff agreements negotiated separately with each of the six ASEAN countries. We will need to examine their proposal and decide how to proceed.
- o At this point, the Administration need not make a decision on other possibilities for FTA-type arrangements. However, we should be able to articulate our general policy with respect to such arrangements. It is recommended that the attached draft statement of this policy be approved. This statement might be used as part of an Administration pronouncement on negotiations with Canada in September or in the context of a more general statement on trade policy.
- o Because Mexico is not a GATT member and there is no formal mechanism governing our commercial relations with that country, we are seeking to negotiate a framework of principles and procedures for trade and investment. Congressional and private sector consultations will begin in the near future; we should seek to conclude the negotiation by early 1987.
- o Bilateral relations with the EC are likely to focus on crisis management, tariff negotiations resulting from the enlargement of the Community to include Spain and Portugal and the coordination of new round policies and strategies. Trade liberalization outside the framework of the new multilateral trade round will, therefore, be difficult. The U.S. should, however, seek to engage the EC in a more constructive dialogue aimed at reducing impediments to, or distortions of, our bilateral trade (for example, in the telecommunications sector).

Draft USG Statement on FTA's

While our highest priority remains the improvement of the world trading system through a new round of multilateral trade negotiations, the United States remains interested in the possibility of achieving further liberalization of trade and investment through the negotiation of bilateral free trade arrangements such as the one recently concluded with Israel. We believe that, under certain circumstances, such agreements could complement our multilateral efforts and facilitate a higher degree of liberalization, mutually beneficial to both parties, than would be possible within the multilateral context.

The United States will give careful consideration to any serious proposal to enter into the negotiation of such agreements. The paramount factor in evaluating such proposals will be their economic value to the United States; we will not pursue any agreement which is not clearly in our economic and commercial interest. Deliberations on these proposals will also be guided by the need to respect our GATT obligations. Finally, the prospects for significant progress in a new round of multilateral trade negotiations will also influence our deliberations on such bilateral initiatives.

In the case of Canada, the Administration has examined the criteria set forth above and believes that further exploratory talks are warranted. Both governments have announced their intention to pursue such talks. (Note: Assumes statement would be released after an announcement is made on Canada.) Other possibilities will be considered on a case-by-case basis.

The Administration will consult closely with Congress and with representatives of the private sector before making any decision with respect to prospective bilateral free trade agreements and it will notify Congress of its intentions in accordance with Section 102 of the Trade Act of 1974.